

No. 21947

IN THE

United States Court of Appeals
FOR THE NINTH CIRCUIT

FRANK N. RAWLINGS,

Appellant,

vs.

NATIONAL MOLASSES Co., a corporation; ORITA LAND
& CATTLE CORPORATION, a corporation; HEBER CAT-
TLE FEEDERS, a corporation, and ALLIED CATTLE
FEEDERS, a corporation,

Appellees.

APPELLANT'S REPLY BRIEF.

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APPELLANT'S REPLY BRIEF.

Appellees' Brief does not answer or controvert the controlling law reviewed in Appellant's Opening Brief, to the effect that a patent license which is anything less than an exclusive license does not convey any ownership interest in the licensed patent and does not render the license an indispensable party to an infringement action. Instead appellees' brief argues (a) that the order unconditionally dismissing the action is not final and appealable, and (b) without citing supporting authorities, that Feed Service Corporation, the alleged indispensable party, which is not subject to the court's jurisdiction, is a "joint owner" of the patent in suit instead of being only a non-exclusive licensee thereunder as shown by Exhibit B [R. 334]. Appellees' argu-

ment also ignores the fact that appellant is the sole owner of the patent, as shown by the assignment Exhibit A [R. 332] and, under the law, is the only one entitled to sue for infringement.

Of the legion of authorities unanimously supporting appellant's opening brief, the following are representative:

Waterman v. Mackenzie, 138 U.S. 252, 34 L. Ed. 923;

Western Electric Co. v. Patent Reproducer Corp., 42 F. 2d 116;

Special Equipment Company v. Coe, 324 U.S. 370, 89 L. Ed. 1006; and

Innis, Speiden & Co. v. Food Machinery Corporation (1942), 2 F.R.D. 262.

The fact that a non-exclusive license might authorize the licensee to grant non-exclusive sublicenses and retain any royalties derived herefrom, does not render the licensee a co-owner of the patent for the fundamental reason that a non-exclusive licensee is without any right to exclude others from practicing the invention, which is the sole right granted by a patent.

35 U.S.C. 154; and

Special Equipment Company v. Coe, supra.

The non-exclusive license agreement Exhibit B, is only a contract which precludes appellant, the patent owner, from suing Feed Service Corporation and its sublicensees to exclude them from practicing the invention. It is therefore merely in the category of a covenant not to sue.

Western Electric Co. v. Patent Reproducer Corp., supra.

I.

Appellees Have Not Cited Any Authority for Their Conclusion That a Non-Exclusive License Renders the Licensee a Co-Owner of the Patent.

The authorities cited by appellees in their brief involved actions in which the absent party was an *exclusive* licensee, or a co-owner of the patent and they are clearly distinguishable from cases involving non-exclusive licensees.

II.

Feed Service Corporation Is Not a Co-Owner of the Patent in Suit and Is Therefore Neither an Indispensable nor a Proper Party to This Infringement Action.

Appellees conclusory argument appears to be based on the untenable proposition that Feed Service Corporation still has the co-owner status it had at the time this action was commenced, despite the record fact that, by Exhibits A and B, the status of the respective parties was changed to one in which appellant became the sole owner and Feed Service Corporation became a non-exclusive licensee.

Gibbs v. Emerson Electric Mfg. Co. (D.C. Mo. 1940), 31 F. Supp. 983.

Appellant is, of course, cognizant of appellees' advocate's conclusory statement that Exhibits A and B are "shams", but, as pointed out in appellant's opening brief, that statement is entirely unsupported and was not made a formal issue or even supported by an affidavit. (See discussion of the law under heading D, p. 17 of Appellant's Opening Brief). Such questions of fact cannot be *summarily* determined. In their brief, appellees endeavor to lend weight to the conclusion by

arguing that excerpts from the deposition testimony of a Mr. Anderson) who is not a party to this action and who was deposed by appellees as their own witness), show some alleged discrepancies between the negotiations for those contracts and the final contracts. That attempt must fail, however, not only because the record does not disclose any significant discrepancy, but also because of the well-known law that the final written and executed contracts define what the parties agreed to. The facts out of which the agreements Exhibits A and B arose are set forth in appellant's *unrefuted* affidavit [R. 569].*

At page 10 of their brief, appellees cite 35 U.S.C. 262, and *Pennsalt Chemical Corp. v. Dravo*, 240 F. Supp. 837 (E.D. Pa. 1965), as purported authorities for their argument that a non-exclusive patent license renders the licensee a co-owner of the patent. However, it will be found that neither of those authorities supports appellees' argument.

The *Pennsalt* case involved a question of whether a German patent owner by assignment was an indispensable party to a declaratory judgment action. The action was between the plaintiff-infringer and the defendant-exclusive-licensee. The Court denied the motion, holding that, while the German patent owner had a justiciable interest, it could, if it saw fit, protect that interest by intervening in the action, and holding that the principal dispute involved in the action was only between the plaintiff and the defendant who were already before

*The only respect in which the Anderson deposition appears to have any relevancy to this action is Anderson's attorney's statement on the deposition record that "Feed Service Corporation has no interest in the outcome and does not want to be put to any unnecessary expense" (Appendix A, page 3b, of Appellees' Brief).

the Court; citing *Hook v. Hook & Ackerman* (C.A. 9), 187 F. 2d 52, from which the following is quoted:

“Ordinarily, a mere licensee of a patent has no right to sue an infringer, and the patent owner is under no duty to do so. An exclusive licensee obviously is in a different situation. One charged with infringement or one charging infringement would ordinarily have the right to bring the owner into the action to prevent another suit on the same alleged wrong. But these principles have no application where, as here, the defendant-cross-complainant stands as the owner under the assignment.”

35 U.S.C. 262 merely codifies the long-existing case law that a joint owner of a patent has the right to grant sublicenses without accounting to his co-owner. The code section does not purport to define who are “co-owners”.

Neither authority changes the well-settled law that, unless a patent license is exclusive to all or part of the country, the licensee is not a co-owner of the patent and has no right to exclude infringers.

Waterman v. Mackenzie, supra.

As said in *Dairy Queen v. Commissioner*, 250 F. 2d 503, 506 (C.A. 10, 1957), “the traditional test of ownership is the power to exclude others.”

As more particularly stated by the Supreme Court in *United States v. General Electric Co.*, 272 U.S. 476, 71 L. Ed. 362:

“The owner of a patent may assign it to another and convey (1) the *exclusive* right to make, use and vend the invention throughout the United States or (2) an undivided part or share of that

exclusive right or (3) the *exclusive* right under the patent within and through a specific part of the United States. *But any assignment or transfer short of one of these is a license giving the licensee no title in the patent . . .*"

III.

The Dismissal Order Is Final and Appealable.

Among appellees' inaccurate statements of the record, is the statement contained in their brief that "while the District Court dismissed the complaint, it did not dismiss the action."

To determine the inaccuracy of that statement, one only has to read appellees' motion to dismiss [R. 329], which expressly moved "*to dismiss the action*", the District Court's order granting the motion [R. 526] stating "defendants' motion to dismiss is therefore granted."

By its order summarily dismissing this action without limitation, Rule 41b, F.R.C.P., the Court in effect made a final determination denying appellant his right to relief for appellees' admitted infringement*, from which order appellant moved for and was denied a new trial. While ordinarily in due course, the Court would have entered a formal judgment confirming the order, that would have been largely only ceremonial. Appellant could not have amended (even if it had obtained a right

*See appellees' answers to appellant's interrogatories numbers 7, 8 and 9, and to appellant's request for admission number 32 (added to the record by Stipulation and Order dated December 15, 1967).

to amend) to overcome the ground of the dismissal, because Feed Service Corporation is beyond the jurisdictional reach of the Court. Thus, at the time of the order, this case had progressed to a stage of practical finality. Upon such a dismissal, plaintiff-appellant is entitled to every reasonable inference supporting his claim (*Shafer v. Mountain States Tel. & Teleg. Co.*, 335 F. 2d 932, 934 (C.A. 9, 1964)).

To avoid time-consuming and unnecessarily costly procedures, the Supreme Court has held as follows:

“As this Court has often pointed out, a decision ‘final’ within the meaning of §1291 does not necessarily mean the last order possible to be made in a case. . . . This Court has held that the requirement of finality is to be given a ‘practical rather than a technical construction.’ ”

Gillespie v. United States Steel Corp., 379 U.S. 148, 13 L. Ed. 2d 199.

For instance, in *Staggers v. Otto Gerdau Company*, 359 F. 2d 292, Second Circuit, the District Court has denied the plaintiffs’ motion to amend. The plaintiffs then appealed from that order, and the appellate Court, treating the order as a final ruling, reversed.

In *Kelly v. Delaware River Joint Commission*, 187 F. 2d 93, Third Circuit, cert. den., 342 U.S. 839, 96 L. Ed. 614 (cited in appellant’s opening brief), the Court even held that an order granting a motion to dismiss the *complaint* was a final and appealable order.

In *M. Martinez v. Flores*, 299 F. 2d 888, Ninth Circuit, 1961, this Court said:

“Twice the District Court has dismissed the complaint, but never the action. There is a difference.”

IV.

In Any Event, Feed Service Corporation Would Be Bound by the Judgment Under the Principles of the Law of Res Adjudicata.

Appellees argue that *Independent Wireless Telegraph Company v. Radio Corporation of America* (1926), 269 U.S. 459, 70 L. Ed. 57, quoted from at page 13 of Appellant's Opening Brief, did not involve analogous facts. It is true that said case involves specifically different facts, but the ruling of the Court quoted in Appellant's Opening Brief was based on the principles of the law of *res adjudicata*, and in that respect the facts were analogous to the facts of this case.

Conclusion.

Wherefore, appellant respectfully submits that the non-exclusive license agreement, Exhibit B, held by Feed Service Corporation, is merely an agreement by appellant, the patent owner, that he will not sue Feed Service Corporation or its non-exclusive sublicensees, if any, to exclude them from using the invention. That is not an ownership interest in the patent. Having no right to enjoin appellees or anybody else from infringing, or to share in any recovery in this action, the non-joiner of Feed Corporation does not “leave the defendant open

to multiple litigation” as concluded by appellees at page 11 of their brief.

It is therefore respectfully submitted that the order of the District Court dismissing this action on the ground that Feed Service Corporation is a co-owner of the patent and an indispensable party, should be reversed.

Respectfully submitted,

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Certificate.

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

COLLINS MASON

